

# Cabinet



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>Local Council Tax Reduction Scheme and Council Tax Technical Changes 2015/2016</b>	
<b>Report No:</b>	<b>CAB/SE/14/007</b> [to be completed by Democratic Services]	
<b>Report to and date/s:</b>	<b>Cabinet</b>	2 December 2014
	<b>Council</b>	16 December 2014
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<b>Purpose of report:</b>	This report provides Members with an overview of the first year review (2013/2014) on the new Local Council Tax Reduction Scheme (LCTRS) and the technical changes on some empty properties and second homes, introduced from 1 April 2013.  This report also sets out recommendations for Members on the 2015/2016 LCTRS and the technical changes from 1 April 2015.	

<b>Recommendations:</b>	<p><b>It is <u>RECOMMENDED</u> that:</b></p> <p><b>(1) the first year review for 2013/2014 be noted;</b></p> <p><b>Subject to the approval of full Council:</b></p> <p><b>(2) no change be made to the current Local Council Tax Reduction Scheme for 2015/2016;</b></p> <p><b>(3) the 5% second homes discount be removed from 1 April 2015; and</b></p> <p><b>(4) a change to a one week exemption for Class C empty property from 1 April 2015 be approved, subject to the conditions contained in Table 2 of paragraph 6.1 of Report No: CAB/SE/14/007.</b></p>
<p><b>Key Decision:</b></p> <p><i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
<p><i>The key decision made as a result of this report will be published within <b>48 hours</b> and cannot be actioned until <b>seven working days</b> have elapsed. This item is included on the Decisions Plan.</i></p>	
<b>Consultation:</b>	<ul style="list-style-type: none"> <li>As detailed in the body of the report</li> </ul>
<b>Alternative option(s):</b>	<ul style="list-style-type: none"> <li>Changing the current LCTR scheme is not required from a financial perspective, as the current schemes are operating effectively, delivering a cost neutral position.</li> <li>Leave the empty property technical changes as the current year scheme, however we would continue to face both administration and collection challenges.</li> </ul>
<b>Implications:</b>	
<p><i>Are there any <b>financial</b> implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>As outlined in the body of the report.</li> </ul>
<p><i>Are there any <b>staffing</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li></li> </ul>
<p><i>Are there any <b>ICT</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li></li> </ul>
<p><i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>As outlined in the body of the report</li> </ul>

<p>Are there any <b>equality</b> implications? If yes, please give details</p>		<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li>An equality impact assessment was undertaken as part of the development of the 2013/2014 scheme in 2012. As there are no changes to the LCTR scheme the equality impact assessment is unchanged.</li> </ul>	
<p><b>Risk/opportunity assessment:</b></p>		<p><i>(potential hazards or opportunities affecting corporate, service or project objectives)</i></p>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
<p><b>Recovery of Council Tax.</b> There is a risk of a lower level of collection of Council Tax</p>	High	Continue with the 2014/15 scheme. ARP to closely to monitor non-payment from working age claimants.	Medium
<p><b>Recovery of administration costs.</b> The number of people paying Council Tax may increase and we will need to consider the impact on resources needed to collect this money.</p>	Medium	Monitor resources. A range of measures will continue to be offered to affected people to help them pay, such as Direct Debit	Low
<p><b>Demand.</b> There is a risk of a higher demand on the LCTR Scheme.</p>	High	ARP to closely monitor caseload. The major precepting authorities will share the financial risks associated with LCTRS. Representatives from St Edmundsbury and other Suffolk billing authorities and Suffolk County Council are continuing to work together to monitor the county-wide framework.	Medium
<p><b>Ward(s) affected:</b></p>		All Wards	
<p><b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i></p>		<p><a href="#">D224 Local Council Tax Support 2013/2014</a></p> <p><a href="#">D277 Council Tax Technical Changes and Tax Base 2014/2015</a></p> <p><a href="#">E197 Local Council Tax Reduction Scheme and Council Tax Technical Changes 2014/2015</a></p>	
<p><b>Documents attached:</b></p>		<p><b>Appendix A:</b> First Year Review data</p>	

## **1. Key issues and reasons for recommendation(s)**

- 1.1 The Government replaced Council Tax Benefit with a Localised Council Tax Reduction Scheme (LCTRS) from 1 April 2013. This meant that St Edmundsbury Borough Council had to decide upon a local means tested scheme to replace Council Tax Benefit.
- 1.2 The Government's aims in making this change were:
  - To transfer the system to local control; and
  - To reduce by 10% the amount of support paid to those finding it hard to pay council tax, in order to meet the Government's funding cut.
- 1.3 In creating a local scheme St Edmundsbury also aimed to:
  - Make provision to protect vulnerable people; and
  - Support work incentives for claimants created by the Government's wider welfare reform.
- 1.4 At the same time, councils were given the discretion to increase Council Tax income; to charge up to 100% for some previously exempt properties; to charge up to 100% in respect of furnished empty properties (usually referred to as holiday homes); to charge up to 100% in respect of second homes and to charge up to 50% empty homes premium for properties that had been empty for over two years.
- 1.5 In offering these new powers to increase Council Tax income from empty properties, the Government were seeking to influence owners to bring empty homes back in to use.
- 1.6 Following consultation, the Council decided to meet the cost of the Government's 10% cut by requiring working age claimants to pay 8.5% more of the Council Tax charge than previously; and by changing the discounts/exemptions available to owners of second homes and empty properties as detailed in paragraph 1.8.
- 1.7 Limiting the increase for working age claimants meant that the council received a year one transitional grant of £154,000 from Government, however the funding has not been offered again in 2014/2015. Without this grant the financial modelling of the scheme showed that the cost would have been in the region of £85,000 for the first year. St Edmundsbury protected War Pensioners from the reduction in maximum benefit and also removed Second Adult Rebate for working age claimants from our schemes.
- 1.8 St Edmundsbury also used their powers to increase Council Tax income as follows:

**Table 1**

<b>Discounts</b>	<b>2012/13</b>	<b>2013/14 &amp; 2014/15</b>
Class A, empty, unfurnished and undergoing major repairs to render habitable	100% exemption for 12 months maximum	10% discount for a twelve month period
Class C, empty, substantially unfurnished	100% exemption for 6 months maximum	10% discount for a six month period
Second homes	10% discount	5% discount
Empty homes premium (property empty for more than 2 years)		Pay 150%

## **2. First Year Review 2013/2014 – behavioural and administrative impacts**

- 2.1 A number of customers receiving LCTRS had not had to pay any Council Tax in the past. Having to pay 8.5% of the Council Tax charge represented a significant cultural change and this led to a very large increase in calls to the offices and over the phone in 2013/2014. Anecdotally, national and local welfare groups have commented that working age welfare customers have struggled to adjust to the introduction of this and the wider Welfare Reforms simultaneously.
- 2.2 As can be seen in Appendix A, the number of reminders and summons increased greatly and the amount of further recovery work increased too. In 2014/2015 the number of customers querying bills and the issue of reminders and summons has reduced back to the sort of levels we saw in 2012/2013.
- 2.3 The Council's aim was to achieve a balance in charging an amount of Council Tax to encourage working age claimants back in to work whilst setting the amount charged at an affordable and recoverable level.
- 2.4 By setting the amount payable on LCTRS at 8.5% of the charge, in most cases, where a customer is not paying we can effect recovery through attachment to benefit within a year and so the charge, with costs, is recoverable. If the amount payable was much higher than it is likely that debt would not be recoverable and there would be a danger of creating a culture of non-payment of Council Tax.
- 2.5 National research shows that any further increase in the amount payable for working age LCTRS customers could increase administration costs and have a detrimental effect on collection rates.
- 2.6 One of the areas which resulted in an increase in queries and complaints from the public and landlords is the removal of 100% exemption for a six month period once a property becomes empty. St Edmundsbury opted for an immediate charge, allowing a discount of 10% for six months which has generated the queries and complaints especially from Landlords as there is no charge free period to allow for a "turn-around" between tenants.
- 2.7 Appendix A details the number of empty property accounts raised for short periods and the collection achieved. It is suggested that amending the discount to a 100% discount for one week followed by a full charge would reduce the

number of small balances, the queries, and consequent administrative costs. In order to make this change cost neutral, the discount on second homes could be removed.

- 2.8 Appendix A details the number of empty properties recorded between 2012/2013 and 2013/2014. The data indicates that the policy change may have had some influence on owners to bring empty homes back in to use.

### **3. First Full year review 2013/2014 – financial impacts**

- 3.1 Appendix A to this report shows the collectable Council Tax for any case that has at some point in the year received a discount under the CTRS. The debit shown in Appendix A includes the whole amount charged for in the year including the discounted periods.
- 3.2 Council Tax accounts where there has been a period of LCTRS awarded show a collection rate of nearly 90% in year one of the scheme, whilst the target was to achieve this level of collection after two years. As expected, collection has partly relied upon a significant increase in arrangements to deduct Council Tax from DWP Benefits (see Appendix A - attachments to benefit). For comparison purposes, the in-year collection was 97.12%.
- 3.3 St Edmundsbury has seen a reduction in LCTRS caseload of 6% compared to early 2012/2013 levels. A very small number of LCTRS customers have also received Housing Benefit reductions attributed to the Welfare Reform changes from April 2013, namely the Spare Room Subsidy Restriction and the Benefit Cap, with little demand for Exceptional Hardship payments which can be applied for using a specific application form available for this purpose.
- 3.4 In assessing the anticipated LCTRS expenditure for 2013/2014 a growth in caseload was anticipated and an assumption for bad debt was factored in to the budget. The actual LCTRS expenditure was £315,000 less than the budget. Going forward we assume neutral changes to the caseload as, whilst unemployment is decreasing, a major employer reducing staff significantly, ceasing to trade or relocating is difficult to predict.
- 3.5 The recovery in respect of the changes to other discounts, as detailed in Appendix A has also performed at estimated levels. Collection in respect of second homes has been particularly successful. The effect of withdrawing the 5% discount on second homes, like many other authorities, is also shown.

### **4. Financial and resource implications**

- 4.1 St Edmundsbury continues to come under significant pressure from Central Government grant reductions. The Local Council Tax Support Grant received in 2013/2014 was a separately identifiable grant amount received as part of the Council's grant settlement and therefore the Council was able to identify the amount by which it had been reduced (10%). However, it has been confirmed by the Department of Communities and Local Government that this amount will not be separately identifiable going forward. St Edmundsbury is anticipating, based on our provisional 2015/2016 settlement figure, up to a 24% reduction in our Central Government grant.

4.2 The recommended continuation of the current schemes covered by this report is intended to continue to deliver a 'cost neutral scheme' against the original 10% Government grant reduction. The impact of the 2015/2016 24% reduction in Central Government grant is therefore required to be addressed elsewhere and will form part of the Council's wider Medium Term Financial Strategy review and 2015/2016 budget setting process.

## 5. Proposals for 2015/2016 LCTR scheme

5.1 Based on the overall findings of the first year review outlined above in Sections 2 and 3, and the monitoring information for 2014/2015 contained at Appendix A, the recommendation is to continue the LCTR scheme in its current form, including applying the current 2014/2015 level of applicable amounts # within the LCTRS, for 2015/2016.

5.2 # An applicable amount is the amount that the Government says that a family needs to live on each week. When your applicable amount has been calculated it is then compared with your income to work out the council tax reduction entitlement for which you are eligible.

5.3 Due to the fact that the LCTRS is not changing this year there is no requirement to undertake specific consultation.

## 6. Proposals for 2015/2016 technical changes

6.1 Based on the overall findings of the first year review outlined above in Sections 2 and 3, and the monitoring information for 2014/2015 contained at Appendix A, the recommendation is to:

- Remove the current 5% discount for second home owners (this brings us in line with many other ARP partners);
- change the Class C empty property to one week exemption followed by 100% charge; and
- to continue the empty homes technical changes as per the current year's 2014/2015 scheme.

**Table 2**

<b>Discounts/exemptions</b>	<b>2015/2016</b>
Class A, empty, unfurnished and undergoing major repairs to render habitable (formally exempt Class A)	30% discount for a twelve month period
Empty, substantially unfurnished properties, which have been so for less than one week since the property was last occupied. For the purposes of determining when the property was last occupied, any period of less than 6 weeks within which the property was occupied will be disregarded. (formally exempt Class C)	Proposal for one week exemption followed by a 100% charge  (Conditions detailed to the left)
Second homes	Proposal to charge 100%
Empty homes premium (property empty for more than 2 years)	Pay 150%

## **7. Legal and policy implications**

- 7.1 The National Council Tax Reduction Scheme for Pensioners will be determined by Central Government whilst the Local Council Tax Reduction Scheme for people of working age is determined by each local authority. The scheme may be altered each year, giving the Council the opportunity to take into consideration any local factors or budget constraints. Subsequent amendments may require further consultation and agreement.
- 7.2 The Council's Constitution gives the Head of Resources and Performance delegated power 'to manage the Revenues and Benefits function' including appointing officers of Anglia Revenues and Benefits Partnership (ARP) to carry out debt recovery and criminal prosecutions and for the administration of the Localised Council Tax Reduction Scheme (LCTRS).